Morning Briefing

Jun 16, 2022

Market Summary

Index Level (% Change)	15-Jun	1d Δ	1m Δ	3m Δ	6m Δ	12m Δ
KSE 30	15,815	1.1%	-4.4%	-6.5%	-7.2%	-19.4%
KSE 100	41,439	0.9%	-4.7%	-5.2%	-4.2%	-14.8%
KSE All Share	28,336	0.6%	-4.2%	-5.4%	-4.4%	-14.3%

Equities	Avg. Volume(mn shares)			Avg. Value (PKR mn)		
	1d	1m Avg.	6m Avg.	1d	1m Avg.	6m Avg.
KSE 30	37	66	59	2,904	3,857	4,200
KSE 100	60	101	100	3,679	4,783	5,210
KSE All Share	142	222	237	4,000	6,322	7,260

Portfolio inv (USD mn)

	15-Jun	1m	3m	6m	12m	CYTD
FIPI Net	0.3	(13.7)	(42.0)	(67.1)	(313.4)	(44.0)
LIPI Net	(0.3)	13.7	42.0	67.1	313.4	44.0
Ind.	0.0	21.6	64.8	79.2	173.7	74.6
Banks/DFIs	0.3	5.8	44.4	59.5	123.8	77.1
Co's	0.6	27.6	31.7	62.3	127.1	50.7
M.Funds	0.8	(18.6)	(62.6)	(91.2)	(143.0)	(113.5)
Brokers	0.3	(5.9)	(12.1)	(13.4)	(27.1)	(13.9)
Others	(0.4)	2.6	13.0	14.9	60.8	14.8
Ins.	(1.9)	(18.6)	(37.0)	(44.0)	(6.8)	(45.6)
NBFC	(0.0)	(0.7)	(0.3)	(0.1)	4.8	(0.2)

Sector wise FIPI LIPI (USD mn)	FIPI	Ind.	Banks	M.Funds	Ins.	Other
Gross Buy	2.2	19.0	1.4	1.7	0.4	6.8
Gross Sell	(2.0)	(19.0)	(1.1)	(0.9)	(2.3)	(6.3)
All other Sectors	(0.1)	0.3	0.0	0.1	0.1	(0.4)
Cement	(0.0)	(0.6)	0.8	0.0	(0.2)	0.0
Commercial Banks	(0.1)	0.1	(0.1)	(0.0)	0.1	0.1
Fertilizer	(0.0)	0.4	(0.6)	0.0	(0.0)	0.2
Food and Personal Care	(0.0)	0.1	0.0	0.1	(0.1)	0.0
E&P Companies	(0.1)	(0.3)	0.2	0.6	(1.1)	0.7
OMC	(0.1)	0.0	(0.0)	0.1	(0.0)	0.0
Power Generation	(0.0)	0.1	(0.0)	(0.0)	0.0	0.0
Technology and Comm.	0.7	(0.0)	0.0	0.0	(0.6)	(0.2)
Textile Composite	0.0	0.0	(0.0)	(0.0)	(0.0)	(0.0)
Total	0.3	0.0	0.3	0.8	(1.9)	0.5

Commodities

	US$	1d	1m	3m	6m	12m
WTI (bbl)	116.3	0.9%	3.5%	22.4%	64.2%	61.2%
Brent (bbl)	119.3	0.7%	6.6%	21.7%	61.5%	60.4%
Arab Light (bbl)	122.2	0.0%	2.2%	13.7%	64.7%	65.6%
Coal (m.tons)	316.5	0.0%	-3.4%	-1.6%	127.7%	177.5%
Urea (m.tons)	690.0	0.0%	-4.8%	-24.2%	-28.1%	53.3%
DAP (m.tons)	795.0	0.0%	-7.6%	-18.5%	6.0%	31.4%
PVC (*m.tons)	1,320.0	0.0%	-8.3%	-8.3%	-13.7%	-2.9%
Ethylene (pounds)	1,155.0	0.0%	-5.7%	-14.8%	11.6%	26.2%
Gold (t oz.)	1,832.5	-0.1%	1.0%	-4.9%	3.1%	1.2%
Cotton (lb)	118.3	0.3%	-10.6%	15.3%	31.9%	50.3%
Copper (lb)	421.5	0.8%	-0.6%	-8.2%	1.2%	-4.2%
Steel (tons)	1,135.0	0.0%	-17.6%	3.2%	-30.4%	-31.6%
Skim Milk Powder (US$/mt)	4,239.8	-2.1%	-0.4%	-7.9%	13.8%	20.6%
Rubber (kg)	161.1	-0.1%	-0.8%	-5.8%	-5.7%	-0.3%
Iron (mt)	137.2	0.0%	3.4%	-7.8%	25.6%	-35.8%

Foreign Exchange

	Rate	1d	1m	3m	6m	12m
PKR/USD	206.13	0.0%	5.4%	14.9%	16.3%	31.3%
PKR/GBP	249.92	0.0%	1.8%	5.8%	6.3%	14.0%
PKR/EUR	215.74	0.0%	4.1%	8.9%	7.4%	14.8%
PKR/JPY	1.54	0.0%	1.3%	1.7%	-1.8%	8.7%

Interest rates (change in bps)

	Rate %	1d Δ	1m Δ	3m Δ	6m Δ	12m Δ
PKRV 1 YR	15.7	5.0	100.0	373.0	418.0	803.0
PKRV 3 YR	13.7	3.0	18.0	213.0	182.0	471.0
PKRV 5 YR	13.0	4.0	19.0	140.0	114.0	359.0
PKRV 10 YR	12.9	(1.0)	6.0	129.0	96.0	299.0

Board Meetings

Company	Date	Time	Company	Date	Time

Regional markets

	Rate	1d Δ	1m Δ	3m Δ	6m Δ	12m Δ
SHCOMP- China**	3,314	0.2%	7.8%	4.5%	-9.2%	-5.8%
SENSEX- India*	52,541	0.0%	-0.8%	-7.5%	-9.1%	0.1%
NIKKEI- Japan**	26,721	0.0%	0.7%	3.7%	-6.1%	-8.8%
DJIA- USA*	30,669	0.0%	-4.8%	-10.0%	-14.6%	-9.9%
Heng seng- HK**	21,254	-0.3%	6.5%	5.8%	-9.3%	-25.3%

* Reading as of last day closing

** Real time reading

Source: Bloomberg, PSX, NCCPL, Next Research

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International

Oil prices fall over 2% as Fed hikes interest rates (Reuters): Oil prices fell more than $3 on Wednesday as markets worried about a fall in demand after the Federal Reserve hiked interest rate by three-quarters of a percentage point. Brent crude futures for August settled down $2.7, or 2.2%, at $118.51 a barrel, having fallen as low as $117.75. U.S. West Texas Intermediate crude for July fell $3.62, or 3.04%, to $115.31 a barrel, after dropping to a low of $114.60. The biggest hike by the U.S. central bank since 1994 also sent dollar higher with the dollar index rising to its highest since 2002. A stronger greenback makes U.S. dollar-priced oil more expensive for holders of other currencies, curtailing demand. Meanwhile, U.S. crude production, which has been largely stagnant over the last few months, edged up 100,000 barrels per day last week to 12 million bpd, its highest level since April 2020, data from the Energy Information Administration showed. **(Neutral)**

Economy

PKR falls further (BR): The rupee was knocked down further by the US dollar in the inter-bank market on Wednesday, as the local currency closed above 206 for the first time. The rupee settled at Rs206.46, a depreciation of Rs1.3 or 0.63% against the greenback, as the currency market anticipated a further spike in inflation, while the dollar added strength internationally. On Tuesday, the currency had settled at the then-record low of Rs205.16. Globally, the dollar held near its overnight 20-year peak ahead of the outcome of the Federal Reserve policy meeting at which markets are pricing in an outsized 75-basis-point interest rate hike as policymakers try to rein in rampant inflation. A key US currency index, which tracks its performance against six peers, was at 105.3 on Wednesday having hit 105.65 a day earlier, its strongest level since December 2002. Meanwhile, back home, market experts said the rupee too is feeling the effects. "Globally, the inflation rate is moving upwards, as the US Fed is expected to raise the rate by 75 basis points, which is causing a rush towards the dollar," Saad Khan, Head of Equities at IGI Securities, told Business Recorder. **(Negative)**

Govt raises Rs834 billion via T-bills; yields down (The News): The government on Wednesday raised Rs834 billion through an auction of Market Treasury Bills with yields falling on the six and 12 months papers. The pre-auction target was Rs750 billion. Yield on the three-month T-bill ended unchanged at 15.25 percent, the auction result from the State Bank of Pakistan (SBP) showed. The cut-off yield on the six-month paper moved down 30 basis points (bps) to 14.95 percent. Yields on 12-month paper also fell by 55bps to 14.95 percent. Analysts were expecting yields on T-bills and PIBs to come down in the weeks ahead after the SBP conducted a 63-day open market operation (OMO) to bring stability to the secondary market rates last week. The SBP provided banks with total liquidity of Rs1.475 trillion. The SBP also tightened the screws on some banks over rising cut-off yields on T-bills and PIBs and directed them to bring these rates down. The 2022-23 budget has proposed that tax rate on the interest income from government securities with banks having an advance-to-deposit ratio (ADR) of 50 percent or more should be increased to 45 percent from 35 percent. **(Neutral)**

Pakistan signs two debt suspension deals (The News): Pakistan on Wednesday signed two debt service suspension agreements amounting to suspension of loans worth $197.49 million, under the G-20 Debt Service Suspension Initiative (DSSI) framework. Of this total amount, $191.60 million were owed to JICA during the period from January to June 2021 and $5.89 million were owed to the government of the Swiss Confederation during the period from July to December 2021. These amounts will now be repaid over a period of six years (including one-year grace period) in semi-annual instalments. Due to the support extended by the development partners of Pakistan, including JICA and the Swiss Confederation, the G-20 DSSI has provided the fiscal space which was necessary to deal with the urgent health and economic needs of Pakistan. The total amount of debt that has been suspended and rescheduled under the DSSI framework, covering the period from May 2020 to December 2021, stands at $3.688 billion. Pakistan has already concluded and signed 91 agreements with 21 bilateral creditors for the rescheduling of its debts under the G-20 DSSI framework, amounting to rescheduling of almost $2.953 billion. The signing of above-mentioned agreements brings this total to $3.150 billion. Negotiations for remaining agreements to be signed under the G-20 DSSI are on-going. **(Neutral)**

BUDGET 2022-23: Tax relief to salaried class 'sacrificed at IMF altar' (BR): The government has decided, in principle, to reverse the drastic tax relief provided to the salaried class in its proposed federal budget for 2022-23, official sources told Dawn. In the recently presented budget, the government had unexpectedly given major relief in terms of tax rates to individuals with higher salaries by reducing the maximum tax rate from 35pc to 32.5pc. The proposed budget also reduced the number of slabs from 12 to seven. According to the official, the revised tax slabs and other proposals have been submitted to the International Monetary Fund (IMF). "Technical level talks will start in the next few days," the official said, adding that they would "try to protect the salaried class falling in lower slabs". The Fund's representative in Islamabad also confirmed that they were in "discussions with the authorities… to obtain more clarity on certain revenue and spending items". **(Negative)**

Sector / Company

Petrol soars to Rs233.89 per litre as govt raises price for third time in 20 days (Dawn): Finance Minister Miftah Ismail on Wednesday announced that the federal government has decided to raise the price of petrol by another Rs24 per litre — the third such raise within the last 20 days. The new prices will come into effect at midnight tonight, the minister said while addressing a press conference in Islamabad. The latest round of hike would see petrol's price increase by Rs24.03 and soar to Rs233.89, and diesel will be sold at Rs263.31 — up by Rs16.31. Meanwhile, kerosene oil's new price will be Rs211.43 following a Rs29.49 surge and light diesel's price will be Rs 207.47 after an increase of Rs29.16. Ismail said the government had no choice but to "pass on" the impact of international prices to consumers in Pakistan. "This decision is taken because we import 9 million tonnes of oil every year, and 8.8m tonnes of diesel and if we did not increase the price, the government would have had to bear a loss of over Rs100bn monthly." **(Negative)**

OMCs, petroleum dealers demand 6pc margin for smooth oil supply (PT): Oil Marketing Companies and petroleum dealers have demanded from the government to fix six percent margin to avoid disturbance in the oil supply chain and in case otherwise they would go on strike from July 1, 2022. Warning the government to avoid chaos in the fuel supply chain of the country, Chairman Petroleum Dealers Association Abdul Sami Khan has declared that if the government will not fulfil the promise of fixing six percent margin on the sale of petroleum products from 1st July then they will go on strike in the country. He said the government has made assurance that their margin will be fixed at six percent. However, no progress has been made in this regard. He said that the Petroleum Minister has so far not given time for a meeting despite repeated efforts. He said the oil industry has been facing serious problems in bringing oil to the country while the concerned minister is not paying heed to their demands. We will be forced to go on strike in the country if our demands are not met during the months of June, said Abdul Sami while talking to Profit. **(Negative)**

Urea-makers threaten shutdown on financial crunch (Augaf): The fertiliser-makers on Wednesday threatened to shut down urea production amid deepening financial crunch, especially after the government's failure to settle the industry's sales tax and subsidy receivables issues in Budget 2022-23. To add to the fertiliser industry's woes, the GST on the gas has also doubled due to high RLNG cost. "We are at cash-negative now, especially the RLNG-based plants due to high RNLG prices and high GST," an industry official said during a meeting of the Fertilizer Manufacturers of Pakistan Advisory Council (FMPAC) with the Federal Minister for Finance and Revenue Miftah Ismail. Conveying their apprehensions to the finance minister, the industry officials said they were unable to run urea plants due to higher costs, non-refund of near Rs65 billion in sales tax receivables, and another Rs19 billion in subsidy receivables against the government. Earlier we were getting the RLNG at around Rs2,000/mmBtu and now it has increased to near Rs5000/mmBtu. We get 20 percent fuel gas and 80 percent feed gas," one industry official said. **(Negative)**

Rs1.98tr needed by Sept for fuel imports to minimise loadshedding (Dawn): With receivables of the state-run Pakistan State Oil (PSO) already at a backbreaking Rs600 billion record and counting, the Petroleum Division has reported a gross liquidity requirement of about Rs1.98 trillion for the first quarter of the next fiscal year beginning July 1 for fuel imports to minimise the prevailing loadshedding. The PSO and Pakistan LNG Limited (PLL) are importing liquefied natural gas (LNG) to minimise the shortfall in the demand and supply of gas. Re-gasified LNG is supplied by the Karachi-based Sui Southern Gas Company (SSGC) and Lahore-based Sui Northern Gas Pipelines Limited (SNGPL) to consumers, including the power sector, in summer months. During June to September this year, maximum LNG of 12-cargos each month is planned to be imported for supply to the power sector to minimise electricity loadshedding. PSO's plate is full with six cargos each month through a long-term contract with Qatar. PLL, on the other hand, has three term cargos each for July and September and one in August, while spot cargos are planned at three each in June, July and September and five cargos in August. **(Negative)**